

Accommodating the poor: The Free Basic Water policy and the Housing Subsidy Scheme

Katharine Hall, Annie Leatt and Jo Monson (Children's Institute)

Section 26 (1) of the Constitution states that “everyone has the right to have access to adequate housing”, and Section 27 (1) guarantees that “everyone has the right to have access to ... sufficient food and water”.

The Housing Subsidy Scheme and the Free Basic Water policy are the South African government's national programmes to deliver on the rights to water and housing. The extent of poor children's access to water and housing through these interventions are discussed together in this essay because access to water is very closely tied to housing or settlement type. In fact, “basic services”, including water, sanitation and electricity, are part of the definition of ‘adequate housing’ specified by the International Covenant of Economic, Social and Cultural Rights to which South Africa is signatory.

This essay also describes how the full realisation of the rights to water and housing tends to be through municipal planning, rather than individuals claiming their entitlements, and examines some of the practical implications of targeting.

The information in this essay comes from *The Means to Live: Targeting poverty alleviation to realise children's rights*, the forthcoming report on a three-year research project of the Child Poverty Programme at the Children's Institute, University of Cape Town. The *Means to Live Project* aims to investigate how government poverty alleviation programmes are targeted and the consequences of the targeting for children and their caregivers¹ – particularly where it results in very poor children being excluded from programmes. This essay is an abridged version of the more comprehensive discussion of the Housing Subsidy Scheme and Free Basic Water policy in the full *Means to Live* report, to be released in 2007. (See the essay starting on page 31 for more details on this research project.)

This essay focuses on the following questions:

- What is the extent of housing and water delivery?
- Why is it so much more than just a house?
- What is the free basic water policy?
- What are municipalities' targeting options for free basic water?
- How does the Free Basic Water policy work in practice?
- How is the Housing Subsidy Scheme targeted?
- What are the consequences of community level targeting?
- What are the project-linked subsidy housing developments like?
- What are the conclusions?

What is the extent of housing and water delivery?

The Housing Subsidy Scheme (HSS) was initiated in 1994 and has been highly effective in delivering vast numbers of dwellings to the poor. Figures from the Department of Housing show that, by June 2006, more than two million houses (2,148,658) had been completed or were under construction using government housing subsidies.

Despite the gains of the HSS, approximately 2.2 million households still did not have access to adequate housing in 2006. According to the *General Household Survey 2005*, less than two-thirds of the 18 million children in South Africa live in formal housing. Twenty percent live in traditional dwellings, and another 15% (nearly 2.7 million children) live in backyard shacks/rooms or in informal settlements.

The delivery backlog in housing and basic municipal infrastructure impacts directly on the delivery of basic water services. The delivery of free basic water in terms of the policy intention has therefore only benefited those who

¹ Caregivers are those who undertake the primary responsibility for parenting children from day to day. In most, but not all, cases, this is the child's biological mother. Many children are cared for by grandparents, siblings, other relatives, or non-relatives. In the *Means to Live*, specific criteria were used to define one primary caregiver per child to replicate assessments of eligibility. In reality, however, care arrangements are often shared between parents or other household members.

already have access to water infrastructure. Many of the poorest families living in informal settlements or traditional dwellings still do not have access to adequate water services at all. Using data from the *General Household Survey 2005*, it is estimated that 42% of children in South Africa do not have access to drinking water on site.

Why is it so much more than just a house?

At its most basic level, housing provides shelter from the elements and is essential for human survival. But housing means a lot more than a roof over one's head. Amongst other things, housing denotes a degree of permanence, since dwellings are attached to the land. This makes it possible for municipalities to provide infrastructure and link dwellings to basic services necessary for survival and development – not only water but also electricity, sanitation and roads. In this way, housing is also linked to other resources and facilities such as schools and clinics, which are of particular importance for children.

Since formal housing usually means access to water too, it is important to unpack some of the consequences for children who do not have access to water. Unsafe, inadequate or inaccessible water contributes to the high levels of infant mortality in South Africa. In fact, as researchers Bradshaw, Bourne and Nannan point out, poverty and environmental conditions contribute to up to 30% of deaths of children under the age of five in South Africa. Many of these deaths are the result of poor water and sanitation conditions. Aside from these health consequences, a lack of access to water also has serious social impacts: women and children forfeit time, personal safety and effort to access water when it is not available in or near their homes.

What is the Free Basic Water policy?

In recognition of the primary importance of having a clean and adequate water supply, the South African government in 2000 introduced the Free Basic Water policy, which allows for every household to get 6,000 litres (6 kilolitres) of water per month at no cost. This is calculated at 25 litres per person per day for a family of eight. Note that free basic water is universal; children and poor people are not specifically targeted.

What are municipalities' targeting options for free basic water?

Municipalities can choose from three targeting options in implementing the Free Basic Water policy in their areas. Households or communities do not choose the options.

The first is a **rising block tariff** where a free basic amount (or block) is provided to all water users and the next portions of water usage (or block) are charged for at increasing rates for increasing consumption. This only works when people have taps and meters and can be billed for consumption.

A slightly different version of this is **targeted credits or subsidies** used in some municipalities, where people considered "indigent" get a subsidy amount credited to their bill every month.

The third method of targeting the Free Basic Water policy is **service level targeting**. This ensures that access to water is limited to the free basic portion. The most common form of service level targeting is the communal tap system, which should be available within 200 metres from every home without water on site. People are unlikely to carry larger quantities of water than the free basic portion. The service level targeting approach is commonly used by municipalities with a high proportion of poor consumers, such as the settlement of Nkanini in the urban *Means to Live* site, described in the accompanying case study.

How does the Free Basic Water policy work in practice?

The *Means to Live* research found that the Free Basic Water policy was not working as intended in the two research sites, an urban site in the Western Cape and a rural site in the Eastern Cape province. Two broad scenarios are discussed – one where municipal infrastructure was in place, and the other where the infrastructure was not in place for water to be delivered.

The informal settlement of Nkanini described in the case study is one of three settlements in the *Means to Live* urban site. The other two settlements, Kuyasa and Village 3, adjacent to Nkanini, have high proportions of people with access to free basic water through the taps in their houses or yards. But it was found that the rising block tariff targeting mechanism was not working well here.

CASE STUDY 4: The problem of services in the informal settlement of Nkanini

At the very furthest reaches of Khayelitsha, just a few hundred metres from the sea, is the informal settlement of Nkanini. From 12 shacks in 2000, local representatives from the South African National Civics Organisation estimate that, in mid-2006, about 14,000 households were living in the area.

Despite Nkanini's rapid growth, there has been no increase in the supply of basic services to the area. This is apparently because of a long-term plan to extend the railway line through the area. Households in the path of the railway line will be moved to a new settlement over the hill, while other parts of the settlement may be formalised. In the meantime, residents make do with the minimal services provided.

The settlement is cut by a single tarred road, along which communal toilets are clustered in groups of five at regular intervals. These are the only form of sanitation for the entire settlement, and those who live far from the road either have to walk a considerable distance to use the toilets, or else use buckets or the diminishing bush at the edges of the settlement.

Many of the communal toilets have been locked with padlocks, and residents must ask for the keys at nearby houses or *spaza* shops. The toilets have a manual flush system, which means the user must collect water from a nearby communal tap and carry it to the toilet to flush it. Many of the toilets are dysfunctional – drains are blocked or broken, with sewerage spilling out on the pavement. In at least one place, sewerage bubbled out of an open manhole in the middle of the road.

Communal taps are interspersed along the road, and a few are placed at occasional intervals through the site. There is no formal electricity supply, but electric wires criss-cross the road and the sandy paths throughout the settlement.

Source: Hall K, Leatt A & Rosa S (forthcoming) *The Means to Live: Targeting poverty alleviation to realise children's rights*. Cape Town: Children's Institute, UCT.

Consumption cannot be controlled

Some people from Nkanini who lived close to the adjacent formal settlement of Village 3 used these households' outside taps. As the taps were outside, the account-holders of Village 3 had no control over water use unless they bought locks for the taps. Furthermore, a lot of the water supplied to these areas was lost due to leaks. Account holders in Village 3 were charged for water, no matter that it leaked or was consumed by people from the adjacent settlement.

People won't pay for water

Lack of control over consumption was just one of the reasons for the poor success of the rising block tariff targeting mechanism in Village 3. Many households are simply too poor to pay off their arrears, which some report as high as R20 000 or more.

I am very poor to take my last money and pay for water. [CAREGIVER, URBAN SITE]

Other reasons cited for non-payment include irregularities in billing and account holding, and a lack of consequences for non-payment.

Arrears can be a barrier to housing

While municipalities are not allowed to deprive people of the right to water by cutting the water supply for non-payment, they also do not write off arrears and indeed have not written off debts that accumulated for years before free basic water was introduced. Residents spoke of the anxiety caused by living in debt and being unsure of the possible consequences. One consequence is an inability to legally buy and sell properties that are encumbered with old arrears, which in turn can constitute a barrier to accessing housing through a subsidy.

No infrastructure means poor services

In the *Means to Live* rural site there was no substantial water infrastructure, with two of the three villages entirely reliant on natural water from springs and rivers. But the water at the springs is often polluted and the rivers are far away. The biggest of the three villages had a rudimentary water service that was improved during the *Means to Live* research period. The municipal water service provider responsible for this area was not able to fund free basic water, and does not seem likely to do so in the near future.

How is the Housing Subsidy Scheme targeted?

The discussion on the implementation of the Free Basic Water policy shows how closely water and other basic services are linked to housing: those who are poor and without a house, are poor in terms of services too. In this section the discussion turns to what it actually takes for people to get a house through the Housing Subsidy Scheme. In other words, how is the HSS targeted and what implications does this have in practice?

The HSS is designed to reach only a certain sub-population who are poor and don't already own a house. Children cannot legally be home-owners, but they are implicitly included in the conceptualisation of the scheme in that it revolves around the family unit, in which children are defined as dependants.

In the case of the housing subsidy, targeting generally involves three main tiers of assessment:

1. **Determining the housing need across provinces** – this is calculated from national data, in line with national priorities, and informs the allocation of budgets to provinces.
2. **Geographic and community level targeting** – the identification of communities for *in situ* (on site) upgrading or new areas for housing by assessing the housing need, relative urgency, political imperative and broader development objectives.
3. **Screening of individual applicants** – applicants must meet all six of the following criteria:
 - **Citizenship** or permanent resident status in South Africa;
 - **Legal competence**, i.e. over 21 years or married/divorced and of sound mind;
 - **Dependants**: either a spouse or in a permanent relationship (cohabiting), and/or have one or more proven financial dependants;
 - **Income**: combined monthly income of R3,500 for the full subsidy;²
 - **No previous housing or land subsidies** received; and
 - **First-time property owner**.

What are the consequences of community level targeting?

In terms of the individual criteria, millions of poor people are eligible for a housing subsidy. At policy level there is a range of types of housing subsidies to choose from. But in practice there is not much choice: the focus of housing delivery has been largely on the development of subsidised housing in urban areas. The delivery has been achieved mainly through what is called the "project-linked" housing subsidy.

While the policy provides for individual housing subsidies, these account for only 6.5% of all the subsidies granted in more than 10 years of operation, and have been hampered by shortage of land and housing stock, long waiting lists and mismanagement. Other housing subsidy types that may be increasingly used are the institutional subsidy (used for some forms of rental housing and, in some cases, to provide accommodation for child-headed households) and the rural subsidy, which received specific mention in the "Breaking New Ground" policy, released by the Department of Housing in 2004.

According to the department's web site, project-linked housing subsidies account for 72% of the housing subsidies granted between 1994 and 2006. Discussion on the implementation issues below is therefore limited to project-linked subsidies. These implementation issues are mainly drawn from the research on the *Means to Live* urban site in an area of Khayelitsha in the Western Cape.³

Scale and rate of delivery

The project-linked housing subsidy is particularly effective in enabling the development of many housing units within a relatively short time. The economy of scale suits construction companies, which are often contracted by municipalities to undertake housing development. However, there are downsides to this pace and scale of delivery.

Lack of integrated planning

Housing policy stresses the need for inter-departmental planning and collaboration, which is necessary for the development of viable neighbourhoods. The urban subsidy development that formed part of the *Means to Live* site is one of the presidential development nodes intended as models for integrated planning.

² At the time of the *Means to Live* policy reviews, the income threshold was still set at R3,500 for a partial housing subsidy, and R1,500 for the full subsidy. Subsequent policy changes increased the income threshold so that all applicants with incomes under R3,500 were eligible for the full subsidy.

³ The full *Means to Live* report includes discussion of other types of subsidies found in the research sites.

However, subsidy beneficiaries at Kuyasa talked of being moved to a “desert” with no facilities, resources or meeting places. One clinic had been built on the perimeter, and some subsidy houses had been converted to spazas (informal shops). Less than two years after the construction of formal houses, children in the area were at risk of abuse and there had been multiple rapes. Caregivers felt this was partly because of the lack of public space that would encourage neighbourliness.

Individual and collective agency reduced

While individual households may qualify for a subsidy, whether or not they can access one is largely dependent on where they live. Those most likely to receive housing through the scheme are those who are part of a community that has been identified for upgrading or relocation. While the project-linked subsidy can in theory be accessed by communities through the People's Housing Process, in reality housing construction has tended to be undertaken by private developers with little scope for real participation.

Justification for substandard temporary arrangements

The housing policy prioritises the eradication or upgrading of informal settlements. In the meantime, poor services are justified by the fact that future upgrading or development is planned. An example of this is Nkanini in the urban site, where residents have endured inadequate service provision for years. In the rural site, housing beneficiaries are still waiting for services more than a year after houses were built.

Unwanted removals

Another downside of area-based targeting is that, if the intention is not to upgrade housing *in situ*, it may result in the removal of households and the dismantling of communities.

Fast-tracking can be disempowering

In a spatially targeted scheme, identified households are fast-tracked through the application process, sometimes with little understanding of what the process and its consequences are. Stories from the *Means to Live* suggest that beneficiaries had no control over where they were going to live and little discretion in how to deploy the once-off subsidy to which they were entitled.

Child mobility not always considered in planning

Qualitative evidence suggests that many rural children live with their grandmothers while their parents live in the cities where they work or try to find work. Some grandmothers in the *Means to Live* rural site described their adult children's urban homes as being temporary and inappropriate environments for children.

This has two big implications for children. Firstly, the individual screening requirement for proven dependants has been interpreted in at least one province to mean that the dependant should be living with the applicant at the time of application. As a result, single mothers who do not have adequate housing and who live away from their children cannot qualify for a housing subsidy. One way around this is to bring children to the city to prove they are dependants while risking the poor living environment and long delays with uncertain outcome for a housing subsidy.

Secondly, household sizes may increase if children and other family members join the household once houses have been built. Although lack of housing is not the only thing that keeps children apart from their mothers, the subsidy scheme may enable the reunification of children with their parents in urban areas. This in turn requires the necessary plans and resources to provide growing child populations with sufficient schools, clinics and places to play safely.

What are the project-linked subsidy housing developments like?

Even without accounting for child mobility, to what extent do the new housing developments take children and family life into consideration? Complaints of small and sub-standard houses have been well documented over the years. The assumption is that households are not only static but also model the nuclear family – which is often inconsistent with South African realities.

Despite mechanisms introduced by the Department of Housing to guarantee the quality of workmanship, there is often a trade-off between scale of construction and quality of housing. It was clear that many houses in the research sites were not adequately built. In both the urban and rural housing developments, some houses had cracks or leaks within the first year of being built, and some had collapsed entirely. In one case, a single mother was hospitalised and partially lost the use of her arm after the zinc roof of her

subsidy house blew off. Implementation of the rural subsidy in the rural site did not bring with it the promised services; so beneficiaries were left with a cement block house but no water or sanitation.

The Department of Housing has stressed on a number of occasions that the intention of the HSS is to provide beneficiaries with a starter home, a core dwelling that can be renovated and extended, or alternatively a tradable asset that they can use to trade up. In the context of stagnant property markets and low resale value in low income areas, however, trading up is not a feasible option for most, and so it is necessary to extend the house to accommodate families. In the *Means to Live* urban site of Kuyasa (and many other housing developments), the plots are so small that there is not much room for expansion.

What are the conclusions?

The Housing Subsidy Scheme has mainly catered for houses in urban areas through the project-linked subsidy scheme that identifies communities or areas for upgrading or development. This area-based targeting can result in unwanted removals, limiting of individual agency within the process, suburbs of houses without any services. Further, it does not always take child urbanisation into consideration in its planning.

Despite the huge achievements of the HSS in delivering houses to poor people, it has not managed to reduce the housing backlog – if anything, the rate of the growing housing need has outstripped the pace of delivery. This is particularly important as access to water and other basic services is closely tied to housing type.

The Free Basic Water policy has reached more of the non-poor than the poor because the poor are less likely to have access to water services in the first place. As the implementation of the policy relies on municipalities, the poorer and weaker municipalities are less able – both administratively and financially – to implement the policy as effectively as wealthier, better-resourced municipalities.

SOURCES

Bradshaw D, Bourne D & Nannan N (2003) *What are the leading causes of death among South African children?* Medical Research Council Policy Brief 3: December 2003. Viewed at: www.mrc.ac.za/policybriefs/childmortality.pdf.

Department of Local Government and Housing, Western Cape (2005) *Five-year Strategic and Performance Plan 2005 – 2009*. Cape Town: WC Department of Local Government and Housing.

Department of Water Affairs and Forestry (2003) *Strategic Framework for Water Services – Water is Life, Sanitation is Dignity*. Pretoria: DWAF.

Hall K (2005) *Accommodating the Poor? A review of the Housing Subsidy Scheme and its implications for children living in poverty*. In: Leatt A & Rosa S (eds) *Towards a Means to Live: Targeting poverty alleviation to make children's rights real*. Cape Town: Children's Institute, UCT. [CD-ROM]

Hall K, Leatt A & Rosa S (forthcoming) *The Means to Live: Targeting poverty alleviation to realise children's rights*. Cape Town: Children's Institute, UCT.

Mosdell T & Leatt A (2005) *On Tap: A review of the Free Basic Water policy*. In: Leatt A & Rosa S (eds) *Towards a Means to Live: Targeting poverty alleviation to make children's rights real*. Cape Town: Children's Institute, UCT. [CD-ROM]

National Department of Housing (2004) *Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements*. Pretoria: Department of Housing.

National Department of Housing (2006) *Housing Code*. Viewed at: www.housing.gov.za.

National Department of Housing (2006) *Housing statistics as at June 2006*. Viewed December 2006 at: www.housing.gov.za.

Statistics South Africa (2006) *General Household Survey 2005*. Pretoria, Cape Town: Statistics South Africa. Analysis by Debbie Budlender, Centre for Actuarial Research, UCT.

